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ZONING COMMISSION
CASE NO. 05-37
EXHIBIT No. 7

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District of Columbia
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RE: Capitol Place, Square 752, Washington, DC Economic Impact Overview

Bolan Smart Associates has been asked to provide a brief overview of the magnitude of economic importance to the District of Columbia of constructing the proposed \$165 million mixed-use development at 2nd Second and H Street's NE. Not only does this new development represent a highly positive economic use to the District of Columbia – including some 470 residents and 200 jobs – the project is a vital part of repositioning the gateway to H Street, enhancing the new development potential and value for the entire surrounding neighborhood.

Based on evaluating a 100% completed project, our findings are summarized below.

1. **Direct Annual District Tax Revenue:** The principal direct tax revenues to the District of Columbia resulting from the completion of this project – calculated in \$2005 – total approximately \$6.50 million per year. The primary components, as summarized in Table 1, are estimated to be comprised of:
 - 1) \$1.65 million per year in real estate taxes (compared with \$0.18 million in real estate taxes as currently assessed);
 - 2) \$1.24 million in (non-office or resident related) sales taxes attributable to \$15.0 million in annual on-site taxable retail sales derived from 50,000 rentable square feet of retail space. (See Table 2);
 - 3) \$0.04 million in private office operations related direct taxes comprised of corporate taxes and user fees (15,000 rentable square feet). (See Table 3);
 - 4) \$0.03 million in parking tax revenue from a 94 space commercial parking component;
 - 5) \$0.04 million per year in employment related sales tax revenues, attributable to \$0.5 million in annual taxable sales (\$40 to \$60 per week in retail expenditures per employee). (See Tables 2 and 3);

- 6) \$2.63 million per year in new DC resident income taxes derived from the development of 305 residential condominiums. (See Tables 4 and 5);
- 7) \$0.40 million per year in new DC resident retail sales tax revenues, attributable to \$5.37 million in DC based taxable sales. (See Tables 4 and 5);
- 8) \$0.23 million in new DC resident related use taxes and fees (residential building operation's, resident DMV fees, utility and telecommunications fees, etc.). (See Tables 4 and 5); and
- 9) \$0.27 million in recurring residential condominium resale transfer and deed recordation taxes assuming a normal 7% rate of annual property turnovers (not including possible refinancing related recordation fees). (See Table 4).

2. **Additional Project Related DC Residents:** Per a broad-based District goal, the planned construction of 305 residential living units will result in accommodations for approximately 470 residents. By creating an additional supply of new multi-family units at this location, not only will new residents currently living outside of the District be attracted to relocate, but those existing DC residents that choose to relocate will free up needed inventory for other prospective DC residents.

3. **Employment and Economic Activity Benefits:** There is a range of employment benefits which accrue from the completion of a mixed-use development at the subject property. As summarized on Table 1, a total of 202 full time equivalent jobs are estimated to be located at Capitol Place, including 63 office jobs, over 130 retail related jobs, and a number of project support jobs, responsible for some \$9.5 million in annual District based payroll. Assuming that District residents hold 30% of the direct office jobs and 35% of the retail jobs, totaling over 65 DC resident jobs, the annual direct payroll going to District residents is over \$2.8 million. Adding a 25% economic multiplier to the District resident employment indicates a total District resident annual income base directly dependent on the Capitol Place job related activity of \$3.5 million (and over \$0.25 million in annual District income tax receipts not directly related to project resident households).

4. **Neighborhood Enhancement:** Given the significance of the location and nature of the proposed investment relative to the existing land uses, the degree of positive impact on neighborhood conditions, community vibrancy and associated tax revenues is substantial. This general enhancement is supplemented by the inclusion of specific off-site public space and streetscape improvements encompassing both the 2nd Street underpass / H Street overpass area and the street front treatment south of G Street. (Not included in the fiscal impact analysis is the magnitude of financial support that Capitol Place will also be contributing to the newly created Capitol Hill Business Improvement District.)
5. **One-time Construction Related Benefits:** The combination of transfer and mortgage recordation fees associated with the proposed land sale for development, coupled with development processing fees and permits, could generate well in excess of \$4.0 million of direct District of Columbia tax revenues consequent from the initial development effort. In addition, more than 295 direct annual construction jobs are estimated to be created as part of a 24-month, \$80 million base building construction budget. The economic multipliers directly benefiting the District associated with this size of construction expenditure, including the purchase of over \$45 million of construction materials, will obviously be very substantial.
6. **Provision of a Mix of Housing for DC Residents:** Per another District goal, the planned construction of 34 moderate income units will provide needed homes for a range of households that are currently under housed or otherwise priced out of the marketplace.

Table 1 - Combined Land Uses - Square 752 (Capitol Place)
ECONOMIC IMPACT SUMMARY - \$2005

Direct Annual District Tax Revenues

Net District Tax Revenue

		<u>taxable value</u>	<u>tax value per sf</u>	<u>RE tax</u>	<u>total</u>
1) Real Estate Tax	retail	\$13,750,000	\$275	\$254,375	
see Tables 2-5	office	\$4,500,000	\$300	\$83,250	
	resid condominiums	\$137,489,425	\$512	\$1,264,903	
	moderate priced condo	\$5,035,855	\$152	\$46,330	
	total	\$160,775,280			\$1,648,858
2) Retail Space Direct Tax (non real estate)		<u>gross DC taxes</u>	<u>net DC retail related tax</u>		
see Table 2	general retail	\$891,388	100.0%	\$891,388	
	restaurant	\$348,134	100.0%	\$348,134	
	total	\$1,239,522			\$1,239,522
3) Private Sector Office Direct Tax (100% of occupancy)		<u>gross DC taxes</u>	<u>net DC related tax</u>		
see Table 3		\$43,592	100.0%	\$43,592	\$43,592
4) Parking Tax		<u>taxable revenues</u>	<u>DC parking tax</u>		
see Table 2,3	retail	\$233,600		\$28,032	
	office	\$45,360		\$5,443	
		\$278,960			\$33,475
5) Employee Related Sales Tax Revenue	retail employees	\$278,918		\$22,313	
	office	\$199,005		\$15,920	
see Table 2-3		\$477,923		\$38,234	\$38,234
6) DC Resident Income Tax		<u>total potential</u>	<u>net DC income tax</u>		
see Tables 4-5	resid condominiums	\$2,817,213	100.0%	\$2,535,492	
	moderate priced condo	\$101,326	100.0%	\$91,194	
	total	\$2,918,539			\$2,626,685
7) DC Resident Retail Expenditures		<u>total potential taxable sales</u>	<u>other capture</u>	<u>DC sales tax</u>	
see Tables 4-5	resid condominiums	\$14,627,811	35.0%	\$383,980	
	moderate priced condo	\$545,249	45.0%	\$18,402	
	total	\$15,173,060			\$402,382
8) Other DC Resident Related Fees	resid condominiums			\$195,037	
see Tables 4-5	moderate priced condo			\$8,179	
	total				\$203,216
9) Recurring Condo Resale Transfer Fees		<u>annual unit turnover</u>			
see Table 4-5		7.0%			\$269,702
Total Direct Annual DC Tax Revenue		\$6,505,666			\$6,505,666
10) Total Direct Annual Tax Revenue By Use		<u>gross DC taxes</u>	<u>net DC taxes</u>		
see Tables 2-5	retail	\$1,544,243	100.0%	\$1,544,243	
	office	\$148,205	100.0%	\$148,205	
	resid condominiums	\$4,638,070	100.0%	\$4,638,070	
	moderate priced condo	\$175,148	100.0%	\$175,148	
	Total Direct Annual DC Tax Revenue	\$6,505,666			\$6,505,666

One-time District Revenue

Property Transfer Tax, Deed Recordation Taxes and Development Fees	\$4,000,000+
First-time Homebuyer DC Income Tax Credit	not considered
Construction Related Sales Tax	not considered

Additional Project Related Residents	<u>total residents</u>	<u>net DC residents</u>
see Tables 4-5		
resid condominiums	417	417
moderate priced condo	52	52
total	468	468

Direct Project Full Time Employment (FTE jobs)	<u>DC jobs</u>	<u>DC residents</u>
see Tables 2-3		
Retail	131	46
Office	63	19
Parking	3	1
Residential (one job / 80 units)	4	1
Total Permanent FTE Jobs	202	67
Temporary Construction FTE Jobs (a)	296	104
Total FTE Jobs	498	171

Indirect Employment, Economic and Tax Multipliers not considered

(a) Construction employment: \$80,000,000 construction cost x 40% direct labor divided by \$54,000 average annual income, equaling 593 person years divided by 2.0 years for project completion, realizing 296 construction full time equivalent jobs.

Table 2 - Retail
Square 752 - Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2005

Project Description

1) General Retail	40,000 nsf
2) Restaurant/entertain	<u>10,000</u> nsf
3) Total Retail	50,000 nsf
4) Parking	80 spaces
5)	<u>0</u> spaces
	80 spaces

Direct Project Full Time Employment (a)

350 sf per retail job
<u>131</u> retail jobs
30 parking space / job
<u>3</u> parking jobs
134 total jobs

Real Estate Tax

6) General Retail Real Estate Value
7) Restaurant Real Estate Value
8) Parking (included above)
9) Real Estate Value
10) Real Estate Tax Revenue
11) <i>Total Real Estate Tax Revenue</i>

Building / Parking		
	one sf	total sf
	\$275.00	\$11,000,000
	\$275.00	\$2,750,000
		<u>NA</u>
100.00% of assessment	\$275.00	\$13,750,000
1.85% commercial tax rate	\$5.09	<u>\$254,375</u>
	\$5.09	<u>\$254,375</u>

General Retail Direct Tax Revenues

12) On-site Taxable Retail Sales (adjusted for 8% vacancy)
13) DC Average Applicable Sales Tax
14) Sales Tax Net of On-Site Residents or Office Tenants
16) DC Corporate Tax
17) Business Personal Property
18) Business Personal Property Tax
19) Other Operating Taxes and Fees (b)
20) Total Retail Related Taxes
21) <i>Net DC General Retail Related Tax Capture</i>

	one sf	total sf
\$350 per sf	\$322.00	\$12,880,000
5.75%	<u>\$18.52</u>	<u>\$740,729</u>
92.0% not on-site consumers	\$17.04	\$681,470
9.975% on 10% profit on gross	<u>\$3.21</u>	<u>\$128,478</u>
\$45.00 FF&E per sf	<u>\$45.00</u>	<u>\$1,800,000</u>
\$3.40 per \$100 assessed value	\$1.53	\$61,200
\$0.55 per'sf	<u>\$0.51</u>	<u>\$20,240</u>
	<u>\$22.28</u>	<u>\$891,388</u>
100.0% net DC sales	\$22.28	<u>\$891,388</u>

Restaurant / Entertainment Direct Tax Revenues

22) On-site Taxable Retail Sales (adjusted for 8% vacancy)
23) DC Average Applicable Sales Tax
24) Sales Tax Net of On-Site Residents or Office Tenants
25) DC Corporate Tax
26) Business Personal Property (adjusted for 8% vacancy)
27) Business Personal Property Tax
28) Other Operating Taxes and Fees (b)
29) Total General Retail Related Taxes
30) <i>Net DC Restaurant Related Tax Capture</i>

	one sf	total sf
\$375 per sf	\$345.00	\$3,450,000
9.0% net 1% convention center	<u>\$31.05</u>	<u>\$310,500</u>
92.0% not on-site consumers	\$28.57	\$285,660
9.975% on 10% profit on gross	\$3.44	\$34,414
\$75.00 FF&E per sf	<u>\$69.00</u>	<u>\$690,000</u>
\$3.40 per \$100 assessed value	\$2.35	\$23,460
\$0.50 per sf	<u>\$0.46</u>	<u>\$4,600</u>
	<u>\$34.81</u>	<u>\$348,134</u>
100.0% net new DC sales	\$34.81	<u>\$348,134</u>

Parking

31) Parking Income (discounted for retail patrons)
32)
33) <i>DC Parking Revenue Tax</i>

	one space	total spaces
\$8.00 per space per day		
\$2,920 per space per year	<u>\$2,920</u>	<u>\$233,600</u>
12.0% of gross revenue	\$350	<u>\$28,032</u>

Employee Related Sales Tax Revenue

34) FTE Employee Retail Expenditures Subject to Sales Tax
35) <i>Employee Related Sales Tax</i>

	one sf	total sf
\$40.00 per FTE per week	<u>\$5.58</u>	<u>\$278,918</u>
8.0% mostly meals	\$0.45	<u>\$22,313</u>

Total Direct Annual Tax Revenue

36)

gross	\$30.88	<u>\$1,544,243</u>
net	\$30.88	<u>\$1,544,243</u>

Notes:

- (a) FTE is full time equivalent employee, assumed at 40 hours per week.
- (b) Operations purchases, utility and telecommunications fees, other business license fees and charges.

Table 3 - Office
Square 752 - Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2005

Project Description

- 1) General Office 15,000 nsf
- 2) Retail (see retail) 0 nsf
- 3) Total Building Area 15,000 nsf
- 4) Parking 14 spaces
- 5)

Direct Project Full Time Employment (a)

- 225 sf per office job
- 63 office jobs
- 30 parking space / parking job
- 0 parking jobs
- 64 total jobs

Real Estate Tax

- 6) General Office Real Estate Value (including land)
- 7) Retail Real Estate Value
- 8) Parking (included above)
- 9) Real Estate Value
- 10) Real Estate Tax Revenue
- 11) *Total Real Estate Tax Revenue*

Building / Parking		
	one sf	total sf
	\$300.00	\$4,500,000
	\$0.00	\$0
		NA
100.00% of assessment	\$300.00	\$4,500,000
1.85% commercial tax rate	\$5.55	\$83,250
	\$5.55	\$83,250

Private Sector Office Direct Tax

- 12) Taxable Gross Revenues (adjusted for 5% vacancy)
- 13) DC Corporate Tax
- 14) Business Personal Property (adjusted for 5% vacancy)
- 15) Business Personal Property Tax
- 16) Other Operating Taxes and Fees (b)
- 17) Total General Office Related Taxes
- 18) *Net DC Private Office Tax Capture*

	one sf	total sf
\$100,000 per employee	\$422.22	\$6,333,333
9.975% on 5% profit on gross	\$2.11	\$31,588
\$2,050 per employee	\$8.66	\$129,833
\$3.40 per \$100 assessed value	\$0.29	\$4,414
\$0.55 per sf	\$0.51	\$7,590
	\$2.91	\$43,592
100.0% net DC revenues	\$2.91	\$43,592

Parking

- 19) Parking Income
- 20)
- 21) *DC Parking Revenue Tax*

	one space	total spaces
\$14.00 per space per work day		
\$3,360 per space per year	\$3,360	\$45,360
12.0% of gross revenue	\$403	\$5,443

Employee Related Sales Tax Revenue

- 22) FTE Employee Retail Expenditures Subject to Sales Tax
- 23) *Employee Related Sales Tax*

	one sf	total sf
\$60.00 per FTE per week	\$13.27	\$199,005
8.0% mostly meals	\$1.06	\$15,920

Total Direct Annual Tax Revenue

- 24)

gross	\$9.88	\$148,205
net	\$9.88	\$148,205

Notes:

- (a) FTE is full time equivalent employee, assumed at 40 hours per week.
- (b) Operations purchases, utility and telecommunications fees, other business license fees and charges.

Table 4 - Residential Condominiums
Square 752 - Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2005

Project Description

1) Condominiums	305 units
2) Market Component	89.0%
3) Market Units	271 units
4) Average Size	990 sf (net saleable area)
5) Total Saleable SF	268,736 sf

Project Related DC Residents

1.6 persons / unit
<u>261</u> occupied units
417 total residents
<u>100.0%</u> net residents
417 DC residents

Real Estate Tax

6) Condominium Real Estate Value (including parking)
7) DC Homestead Exemption
8) Seniors Exemption
9) Taxable Residential Real Estate Value
10) Parking (included above)
11) Real Estate Value
12) Residential Real Estate Tax (as DC proposed)
13) Total Real Estate Tax Revenue

Building / Parking		
	one sf	total sf
	\$550.00	\$147,804,525
\$38,000 per unit	(\$38.38)	(\$10,315,100)
considered unlikely		\$0
	\$511.62	\$137,489,425
		<u>NA</u>
100.0% of assessment	\$511.62	\$137,489,425
0.92% residential tax rate	\$4.71	\$1,264,902.71
	\$4.71	\$1,264,903

Residential Direct Tax Revenues

14) Average Unit Value
15) Required Gross HH Income
16) Taxable Income
17) Initial DC Income Tax
18) Additional DC Income Tax
19) Total Potential DC Income Taxes
20) Income Taxes Adjusted for Average Occupancy
21) Potential DC Residents
22) Income Tax Revenue Adjusted for Resident Status
23) Resident Retail Expenditures Subject to Sales Tax
24) District of Columbia Resident Sales Capture
25) DC Average Applicable Sales Tax (a)
26) Other Resident Related Use Taxes and Fees (b)
27) Personal Property Tax (c)
28) Total Residential Direct Tax Revenues

	one unit	total units
\$525.00 per sf	\$519,750	\$141,086,138
30.0% multiple of unit value	\$155,925	\$42,325,841
80.0% of gross	\$124,740	\$33,860,673
\$30,000 of initial taxable income	\$2,000	\$542,900
9.3% DC tax rate over initial	<u>\$8,811</u>	<u>\$2,391,697</u>
	\$10,811	\$2,934,597
96.0% occupancy	\$10,378	\$2,817,213
90.0% of residents pay taxes	<u>\$9,341</u>	<u>\$2,535,492</u>
	\$9,341	\$2,535,492
45.0% of taxable income	\$53,888	\$14,627,811
35.0% of expenditures	<u>\$18,861</u>	<u>\$5,119,734</u>
7.5% blend of categories	\$1,415	\$383,980
0.6% of taxable income	\$719	\$195,037
		<u>not considered</u>
	\$11,474	\$3,114,509

Recurring Property Resale Transfer Fees

29) Annual Re-sales Related Taxes (2.5% combined fees)
30) Annual Refinance Deed Recordation Taxes

7.0% annual unit turnover	\$0.96	\$258,658
		not calculated

Parking (included with unit purchase)

Total Direct Annual Tax Revenue

31)

gross	\$17.26	\$4,638,070
net	\$17.26	\$4,638,070

Notes:

- (a) Based on blend of sales tax on general goods and services and DC retained sales tax on restaurant related sales.
- (b) Building operations purchases, resident DMV fees, utility and telecommunications fees, other licensing fees and charges.
- (c) Fixtures, etc. included in real property value; residents assumed not to exceed \$50,000 personal property exemption.

Table 5 - Moderately Priced Condominiums
Square 752 - Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2005

Project Description

1) Condominiums	305 units
2) Moderate Priced Component	11.0% (15% of additional FAR)
3) Moderate Priced Units	34 units
4) Average Size	990 sf (net saleable area)
5) Total Saleable SF	33,215 sf

Project Related DC Residents

1.6 persons / unit
<u>32</u> occupied units
52 total residents
<u>100.0%</u> net residents
52 DC residents

Real Estate Tax

6) Condominium Real Estate Value (including parking)
7) DC Homestead Exemption
8) Seniors Exemption
9) Taxable Residential Real Estate Value
10) Parking (included above)
11) Real Estate Value
12) Residential Real Estate Tax (as DC proposed)
13) Total Real Estate Tax Revenue

Building / Parking		
	one sf	total sf
	\$190.00	\$6,310,755
\$38,000 per unit	(\$38.38)	(\$1,274,900)
considered unlikely		<u>\$0</u>
	\$151.62	\$5,035,855
		<u>NA</u>
100.00% of assessment	\$151.62	\$5,035,855
0.92% residential tax rate	\$1.39	\$46,329.87
	\$1.39	\$46,330

Residential Direct Tax Revenues

14) Average Unit Value
15) Required Gross HH Income
16) Taxable Income
17) Initial DC Income Tax
18) Additional DC Income Tax
19) Total Potential DC Income Taxes
20) Income Taxes Adjusted for Average Occupancy
21) Potential DC Residents
22) Income Tax Revenue Adjusted for Resident Status
23) Resident Retail Expenditures Subject to Sales Tax
24) District of Columbia Resident Sales Capture
25) DC Average Applicable Sales Tax (a)
26) Other Resident Related Use Taxes and Fees (b)
27) Personal Property Tax (c)
28) Total Residential Direct Tax Revenues

	one unit	total units
\$190.00 per sf	\$188,100	\$6,310,755
30.0% multiple of unit value	\$56,430	\$1,893,227
75.0% of gross	\$42,323	\$1,419,920
\$30,000 of initial taxable income	\$2,000	\$67,100
9.3% DC tax rate over initial	<u>\$1,146</u>	<u>\$38,448</u>
	\$3,146	\$105,548
96.0% occupancy	\$3,020	\$101,326
90.0% of residents pay taxes	<u>\$2,718</u>	<u>\$91,194</u>
	\$2,718	\$91,194
40.0% of taxable income	\$16,252	\$545,249
45.0% of expenditures	<u>\$7,313</u>	<u>\$245,362</u>
7.5% blend of categories	\$548	\$18,402
0.6% of taxable income	\$244	\$8,179
		<u>not considered</u>
	\$3,510	\$117,774

Recurring Property Resale Transfer Fees

29) Annual Re-sales Related Taxes (2.5% combined fees)
30) Annual Refinance Deed Recordation Taxes

7.0% annual unit turnover	\$0.33	\$11,044
		not calculated

Parking (included with unit purchase)

Total Direct Annual Tax Revenue

31)

gross	\$5.27	\$175,148
net	\$5.27	\$175,148

Notes:

- (a) Based on blend of sales tax on general goods and services and DC retained sales tax on restaurant related sales.
- (b) Building operations purchases, resident DMV fees, utility and telecommunications fees, other licensing fees and charges.
- (c) Fixtures, etc. included in real property value; residents assumed not to exceed \$50,000 personal property exemption.